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C O N F I D E N T I A L BUENOS AIRES 000215

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TAGS: [PGOV](#) [ECON](#) [PREL](#) [KCOR](#) [AR](#)  
SUBJECT: ARGENTINA: KIRCHNERS' POLITICAL SAILS GO SLACK,  
SHOALS LOOM

REF: BUENOS AIRES 168

Classified By: DCM Tom Kelly for reasons 1.4 (b) and (d).

11. (C) Summary: Embassy officers and visiting Staffdel Lewis encountered nearly universal opinions among Argentine analysts February 16-18 that the political good luck of former President Nestor Kirchner and his wife, current President Cristina Fernandez de Kirchner (CFK), is running out. These opinions echoed comments we've been hearing independently from other contacts for some time. Lingered damage from the 2008 farm dispute, initial indications of skidding state revenues related to the global decline in commodity prices, and widespread fatigue with the combative tone of Kirchner politics have taken their toll. Defections from the pro-Kirchner political ranks have continued in recent days, and the recently formed PRO-dissident Peronist alliance, according to one of its architects, was designed to strike at the Kirchner's last line of defense in this year's mid-term elections, the voter-rich Province of Buenos Aires. Most analysts believe (and/or hope) that CFK can still serve out her four-year term (to 2011) even if pro-K Peronists are seen to be defeated in the mid-terms. Indeed, some warned not to count out the Kirchners in 2011 presidential elections, particularly if the economic downturn is managed adequately and pro-K allies win sufficient seats in mid-terms. Indeed recent polls show a slight uptick of positive views of the government. The opposition's disunity and its confused messages remain a strong Kirchner asset. End Summary.

12. (U) Jessica Lewis, Senior Advisor to Senate Majority Leader Harry Reid, visited Argentina February 16-18. Caroline Tess, Senate Select Committee on Intelligence designee to Senator Bill Nelson, was the other participating staffdel member. Embassy reporting officers accompanied the Staffdel to a series of meetings with economic and political analysts, opposition, and pro-government politicians.

#### The Opposition Sees Opportunity

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13. (C) Staffdel met February 18 with Jorge O'Reilly, a senior staffer to Presidential Chief of Staff Sergio Massa, and PRO Party national deputy Esteban Bullrich. O'Reilly had asked DCM in advance if he could bring his friend Bullrich, despite the fact that they represent (at least officially) two different political movements. O'Reilly described the ideological orientation of his boss as "pragmatic" and said that he had agreed to help Massa in order to do positive things for the country; he emphasized at several points in the meeting that he did not speak for the Kirchners' political perspectives.

14. (C) Before the staffdel arrived, in fact, O'Reilly confided to DCM that his boss would likely resign from the

Chief of Staff position soon (he remains mayor of Tigre, a prosperous city 15 miles north of Buenos Aires). DCM heard from a well-connected banker February 24 that Massa hoped to depart the Administration by April, but that the Kirchners are seeking to extract as the price of Massa's departure a commitment to run at or near the top of the pro-K ticket in the province of Buenos Aires, the key battleground in the October legislative elections. Both O'Reilly and the banker say, however, that the young, ambitious Cabinet Chief is not anxious to cast his fortunes with the Kirchners. The banker added that Health Minister Graciela Ocana probably will make such a deal with the Kirchners, leaving the government in exchange for running on the pro-K slate in the City of Buenos Aires this October.

15. (SBU) PRO Deputy Bullrich laid out a comprehensive strategy for defeating the Kirchners in October 2009 mid-term elections. He said that 68 or 69% of Congressional seats in play in 2009 would be determined in five key provinces/districts, and in four of them the Kirchners' prospects were mixed to poor. In Mendoza, he said, Vice President Julio Cobos would likely lead a successful coalition to defeat "pro-K" or Victory Front (FpV) candidates. Cordoba, he thought, was a toss-up with an emerging alliance between Luis Juez (Frente Civico) and the Radical party likely to challenge Kirchner control. (Comment: In fact, the Kirchners have never been very popular in Cordoba; it was one of the only provinces that CFK did not carry in the 2007 presidential election. The current governor is not their friend.) With the defection of Senators Carlos Reutemann and Roxana Latorre from the FpV camp just the previous weekend, Santa Fe seemed lost to them as well. And the City of Buenos Aires would go to either the

recently formed PRO-dissident Peronist alliance (of BA Mayor Mauricio Macri, former Governor Felipe Sola, and Deputy and 2007 gubernatorial candidate Francisco de Narvaez) or to the center-left Civic Coalition. (In addition to Reutemann and Latorre, Salta Senators Juan Carlos Romero and Sonia Escudero also left the FpV last week, as did Deputy Jorge Obeid; the defections do not substantially diminish the GOA's capacity to pass legislation, however the Casa Rosada sought to downplay Romero's and Escudero's departures, with Presidential Secretary Oscar Parrilli and Minister of Interior Florencio Randazzo both noting that the Senators had never supported CFK's legislative initiatives. Senate FpV bloc leader Miguel Pichetto stressed that the recent exits did not change the FpV's majority status in the Senate.)

16. (SBU) Bullrich argued that only the voter-rich Province of Buenos Aires leaned to the Kirchners, and it was here that the Macri-Sola-de Narvaez alliance was most important as a tool for challenging the Kirchners. If that alliance could defeat or draw with the Kirchners in Buenos Aires Province, the first couple's political domination would be finished. Bullrich said polling in the Province showed voter preferences evenly divided between a NK or Sergio Massa candidacy on the one hand and a Macri and Sola candidacy on the other, with all individuals receiving around 33-35 percent. Civic Coalition leaders topped out at 12 percent. (DCM's banker contact cited similar numbers, but noted that the momentum was clearly with the Macri/Sola alliance, and some politically influential pro-K mayors in the province were negotiating with the alliance to switch sides. Also see BA144)

17. (SBU) Bullrich further said that an opposition alliance between his PRO Party and the Civic Coalition would be a recipe for future political incoherence, even though it might be useful in defeating the Kirchners in the near term. If they ran together, he asked, who would "own the victory" -- the center-right PRO or the center-left Civic Coalition? In his view, 2009 and 2011 could lead to a re-established two-party system for Argentina, as the Kirchners disappeared and the two opposition coalitions emerged as the strongest forces. "One of them might even be called Peronist," he said.

18. (C) In a separate meeting with Civic Coalition (CC) Deputy Fernando Sanchez, Staffdel heard the view that incoherent policies and "tremendous" corruption had cost CFK her popular legitimacy as President. The government would soon face a crisis he predicted. Still, although the public wanted CFK out, CC leader Elisa Carrio had said clearly that they were "oppositores, no golpistas" ("political opposition, not coup leaders") and that they would not push for an early end to CFK's presidential term. Sanchez also warned that a government led by Macri or Sola would be more of the same. For the CC, he said, the challenge was to convince the public that they had a positive plan for governing and were about something more than opposing the Kirchners. He appeared to struggle describing this program, but it came down to opposing corruption and distributing wealth more evenly. (Comment: For the Macri/Sola group, on the other hand, the opposition's biggest problem is the CC's standard-bearer Elisa Carrio. They tell us that Carrio's contentious, quasi-Kirchnerist style turns off much of the electorate and makes it hard to form effective political coalitions to fight the K alliance. A source close to Macri told the DCM February 24 that many groups, including Carrio's ostensible Radical and Socialist allies, expect Carrio to be outpolled in Buenos Aires this October by Macri's dynamic vice-mayor Gabriela Micchetti, which will open the way for those parties' best candidates, Vice President Julio Cobos and Santa Fe Governor Hermes Binner, to emerge as the leading center-left presidential candidate in 2011.)

19. (C) In a February 9 meeting with the Ambassador before the Staffdel's arrival in country, the Dean of the University of Palermo's Journalism School and present prominent political commentators, Pablo Mendelevich, held that the ruling FpV would still win an election if held right now, but added it would be by a slim margin. Mendelevich added that, within government, "it is no longer considered cool to be a 'Kirchnerista.'" He did not discount the possibility of the FpV losing its quorum in both houses of Congress in October, but suggested the more important issue would be whether the Kirchner's could still attract support from independent or even opposition lawmakers as they have in the past. He speculated that if the FpV lost heavily in October, he would not be surprised to see CFK leave office. He thought, however, the Kirchners would do everything in their power to prevent Vice President Cobos from assuming the Presidency.

#### Economy Means Trouble, But Perhaps Less Disorder in 2009

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110. (SBU) Leading political and economic analysts attending a lunch hosted by the DCM on February 17 gave the Staffdel a similar portrait of the Kirchners' difficult political situation, pointing to looming economic troubles as the top challenge. Javier Kulesz of USB trading forecast sharp economic deceleration, with a potential for sharp contraction. The GOA had lost credibility on economic matters by playing with statistics and trying to hide the truth, and this lack of public confidence would make confronting the impending economic challenges more difficult.

Alejandro Catterberg of leading polling firm Poliarquia predicted a confluence of economic and domestic political challenges. Still, he said, if the economy could be sustained long enough to get the Kirchners through October 2009 mid-term elections, he said, they might well be able to challenge again in 2011, perhaps behind Nestor's candidacy, as he remained the more popular leader among the labor and Peronist base (though not among voters at large).

111. (SBU) Catterberg noted that the final periods of presidencies typically have led to disorder in Argentina, but that so far the end of the Kirchners, if it was approaching, had been less violent than the final years under Menem. Still, NK in particular would be reluctant to cede power easily, he thought, implying that disorder and violence might be a tool used in the face of tougher economic and political times.

¶12. (C) Esteban Bullrich, in his separate meeting with staffdel, argued that Argentines preferred to vote rather than protest and that the mid-term elections would provide an outlet for much of this year's discontent. Similarly, although the farm sector was likely to protest again in 2009, he did not anticipate them again mounting the broad mass actions of 2008. (Bullrich thought the biggest crunch for the government would come if the cash-strapped government began to short its payments to provinces -- where 75 to 80% of budgets went to salaries -- in favor of patronage spending in the politically crucial Province of Buenos Aires.)

¶13. (SBU) Lunch participant and political scientist Alejandro Corbacho described the lack of effective, institutional party structures in Argentina as a big factor in how 2009 and 2011 would play out. Argentina was characterized, he said, by informal political machines, led by individuals, with patronage and other networks spreading down from these leaders and sustaining them. Peronism had the widest base, and that made it difficult but not impossible to beat.

¶14. (SBU) High-profile newspaper and radio commentator Jorge Elias, of daily "La Nacion," concurred with this assessment of Argentine parties as institutionally weak, noting that people often did not know the names of their parties but knew which leaders they were affiliated with. He noted that NK had made an early decision to govern through networks and a mobilized base, diminishing the role of government institutions. Attacking a critical press was part of this strategy as well. He said that former President Kirchner had confided in 2003 that he thought the route of informal governance might work for six months to get them through the country's economic crisis. Instead, the style had sustained the Kirchners in power for over five years. (Note: Mendelevich also commented to the Ambassador on the Kirchners' approach to the press, saying that their strategy of buying off and intimidating media had worked well in their home province of Santa Cruz, but was not as successful at the national level. End Note.)

¶15. (SBU) Separately, Esteban Fernandez Medrano, Director of local consulting firm Latin Source, told Lewis on February 17 that GOA manipulation of economic statistics had worsened in recent months, extending beyond well-known misreporting on inflation to now include over-stating economic output. With Central Bank reserves of US\$47 billion and fiscal accounts that were not deteriorating at too rapid a pace, however, Medrano did not expect an economic crisis in 2009. There would be a negative cycle of deceleration, unemployment, social unrest and capital flight, he thought, but not as bad as previous episodes in Argentina. Casa Rosada staffer Jorge O'Reilly, associated with Chief of Staff Massa, noted that Argentina might yet suffer less from the global economic crisis because of its more limited exposure. "Credit" represented just 10% of GDP in Argentina, he said, compared with 60% in neighboring Chile.

#### Bilateral Relations

¶16. (SBU) Throughout their visit, Congressional Staff Lewis and Tess pressed interlocutors to assess the bilateral relationship and speculate on possibilities for improvement. In a February 17 meeting with Argentine Senate staff representing a number of Senators on the Argentina-U.S. Friendship Committee, the Argentine participants all voiced an interest in closer ties between the legislative branches of the two countries. One staffer attributed a significant part of the "anti-Americanism" recorded in Argentina to popular opposition to Bush Administration policies; another staff member suggested that both Argentine elites and common citizens were transfixed on President Obama and that there was a great deal of positive expectations.

¶17. (SBU) Over lunch on February 17, columnist Elias and political scientist Corbacho both attributed some anti-Americanism in Argentina to a perception that the United States had been indifferent to Argentina's suffering in

2001-2002, comparing tough U.S. policies toward Argentina at the time to previous bailouts of friends like Turkey and Mexico. Today, noted several analysts, the United States might gain some credit by being seen to advocate reforms at the IMF to enhance the role of middle income or developing countries including Argentina.

¶18. (C) Casa Rosada staffer Jorge O'Reilly put the blame for rocky bilateral relations elsewhere, saying 90 percent of the problem was Argentina's doing, particularly his government's failure to conceive of a long-term strategic vision for the relationship. He had had no role in the planning for CFK's trip to Cuba at the time of President Obama's inauguration but clearly considered it a travesty. Either the planners had intentionally timed the visit to coincide with the inauguration, he said, which would have been bad, or they did it unintentionally, something that would be even worse. At the same meeting, Esteban Bullrich identified the country's serious challenges confronting human and drug trafficking as opportunities for positive collaboration with the USG (per septel, something the Staffdel heard as well in meetings with the MFA).

¶19. (SBU) Comment: Staffdel got a clear taste of Argentine politics at a time of transition. The Kirchners have lost several powerful allies in recent months, and with October mid-term elections approaching during a time of potential economic contraction, they face their sharpest electoral challenge in many years. Their access to significant state resources and a still-loyal political base in the Province of Buenos Aires means that, even faced with such a challenge, they remain formidable and indeed in a recent poll their active effort to be present and launch new programs to benefit their political base seems to have contributed to a slight uptick in positive views of the government (to 41% approval of the presidency in a January Poliarquia poll from 33% the month before, while those with positive views of CFK went from 28 to 29% over the same period).

¶20. (U) Staffdel members Lewis and Tess reviewed this message.  
WAYNE